Peel Non-Profit Housing Corporation

PEEL NON-PROFIT HOUSING CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1981

10 Peel Centre Drive, Brampton, Ontario L6T 4B9 Telephone: (416) 791-9400

Peel Non-Profit Housing Corporation

TO THE PRESIDENT AND MEMBERS,
PEEL NON-PROFIT HOUSING CORPORATION.

I am pleased to present Peel Non-Profit Housing Corporation's audited Financial Statements for the year ended December 31, 1981. Highlights of the 1981 financial results include:

- Net earnings for the year of $.2 million compared to $.04 million in 1980, mainly as a result of the recoveries of administrative expenses on capital projects.
- Final completion of the construction phase for the Arcadia Glen and Springmill Terrace projects, as reflected in the $9.4 million increase in Income-Producing Property on the Balance Sheet and the $.5 million increase in rental income.
- Income Producing Property under Construction of $12.2 million, representing costs incurred on three housing projects.
- Mortgages secured on the Arcadia Glen and Springmill Terrace Projects in the amount of $9.1 million.

During 1981 the Corporation adjusted earnings of prior years to reflect the refund of property taxes on the Knightsbridge project and the adoption of accounting policies prescribed under the Tripartite Agreements.

I hope that you will review these statements and direct any questions or comments on the 1981 Financial Statements to myself or my staff who would be pleased to discuss them.

for: Peter Marshall,
Treasurer.

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Touche Ross & Co.
Chartered Accountants

AUDITORS' REPORT

To the President and Members,
Peel Non-Profit Housing Corporation.

We have examined the balance sheet of the Peel Non-Profit Housing Corporation as at December 31, 1981, the statements of revenue and expenses - housing and administrative, reinvested earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of determining depreciation and reserves as explained in the summary of significant accounting policies, on a basis consistent with that of the preceding year.

Touche Ross & Co.

Mississauga, Ontario
June 9, 1982

Chartered Accountants

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STATEMENT OF REVENUE AND EXPENSES - HOUSING AND ADMINISTRATIVE OPERATIONS

	Year ended December 31, 1981	1980 (Restated)
OPERATING REVENUE - HOUSING		
Rental income	$ 674,327	$192,400
Government grants		
Provincial rent reduction and supplement grants	128,522	125,020
Federal grants for interest writedown	427,856	-
Sundry income	30,636	5,325
	1,261,341	322,745
OPERATING EXPENSES - HOUSING		
Interest on mortgages	832,860	170,431
Municipal taxes	101,887	-
Insurance	7,807	3,211
Depreciation	15,854	3,634
Replacement reserve contributions	28,254	5,629
Repairs and maintenance	48,426	9,163
Utilities	74,079	33,240
Administrative overhead	70,771	31,965
Other	55,199	20,929
	1,235,137	278,202
	26,204	44,543
ADMINISTRATIVE REVENUE		
Recoveries from capital projects	590,058	220,425
Investment income (net)	42,115	-
Sundry income	1,611	8,112
	633,784	228,537
ADMINISTRATIVE EXPENSES	441,319	233,989
	192,465	(5,452)
NET EARNINGS FOR THE YEAR	$ 218,669	$ 39,091

See accompanying summary of significant accounting policies and notes to financial statements.

BALANCE SHEET

	As at December 31, 1981	As at December 31, 1980 (Restated)
ASSETS		
Current Assets		
Short-term investment - Region of Peel	$ -	$ 310,686
Accounts receivable		
Government grants	21,892	3,805
Rents	8,673	150
Other	113,611	19,964
Prepaid expenses	9,234	2,613
	153,410	337,218
Income-Producing Property (Note 1)	11,519,958	2,150,666
Income-Producing Property Under Construction (Note 2)	12,216,947	5,694,737
Development Costs (Note 3)	668,942	241,128
	$24,559,257	$8,423,749
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loan - Region of Peel	$ 953,863	$ -
Government grants repayable	76,429	20,445
Accounts payable and accrued liabilities	4,250,279	578,683
Current portion of mortgages payable	24,925	3,929
Rental deposits	137,109	1,205
Other	72,234	-
	5,514,839	604,262
Mortgages Payable on Income-Producing Property (Note 4)	11,223,157	2,152,872
Construction Loans Payable (Note 5)	7,457,352	5,549,629
Equity		
Contributed capital	96,452	96,452
Reinvested earnings	231,698	13,029
Reserve for replacement of capital equipment (Note 6)	35,759	7,505
	363,909	116,986
	$24,559,257	$8,423,749

See accompanying summary of significant accounting policies and notes to financial statements.

STATEMENT OF REINVESTED EARNINGS

	Year ended December 31,	
	1981	1980
Balance at the beginning of the year		
As previously reported	$ (41,782)	$(36,330)
Prior period adjustments (Note 7)	54,811	10,268
As restated	13,029	(26,062)
Net earnings for the year	218,669	39,091
Balance at the end of the year	$ 231,698	$ 13,029

See accompanying summary of significant accounting policies and notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, 1981	1980 (Restated)
SOURCE OF FUNDS		
Net earnings for the year	$ 218,669	$ 39,091
Add charges not requiring current cash outlay:		
Depreciation	17,101	3,634
Replacement reserve contributions	28,254	5,629
Funds provided from operations	264,024	48,354
Mortgages secured on income-producing property	9,086,139	165,604
Construction loans secured on income-producing property under construction (net)	1,907,723	5,080,379
Federal government grants received for construction of income-producing property	925,581	348,219
	12,183,467	5,642,556
USE OF FUNDS		
Additions to income-producing property	10,097,495	5,865
Additions to income-producing property under construction	6,736,689	5,486,749
Investment in property under development	427,814	192,819
Reduction in mortgages payable	15,854	3,634
	17,277,852	5,689,067
Increase (decrease) in working capital	$ (5,094,385)	$ (46,511)

See accompanying summary of significant accounting policies and notes to financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
December 31, 1981

Peel Non-Profit Housing Corporation (the "Corporation") was incorporated without share capital under the laws of Ontario in 1976 and commenced active operations in 1978.

All housing projects administered by the Corporation are subject to the terms of Tripartite Agreements (the "Agreement(s)") with Canada Mortgage and Housing Corporation and the Ontario Ministry of Housing. The Agreements provide the basis for:

(a) rental rates, tenant selection and general program regulations;
(b) financial contributions to the projects;
(c) budget preparation and approval; and,
(d) reporting results of project operations.

The Corporation follows generally accepted accounting principles with the exception of certain specific accounting principles prescribed under the Agreements which are described elsewhere herein.

Income-Producing Property

Rental property, completed and under construction, includes land, buildings and equipment and is recorded at cost, net of any Federal or Provincial government grants or contributions. For financial reporting purposes, final completion of the construction phase for rental properties is defined as the interest adjustment date on the mortgage secured to finance the housing project, at which time the costs of rental properties are transferred from income-producing property under contruction to income-producing property. The interest adjustment date represents the effective date for commencement of mortgage payments and receipt of government subsidies.

Depreciation

In 1981 the Corporation adopted the depreciation policy for rental property prescribed in the Agreements. Under this policy, the cost of land, buildings and equipment is depreciated over the terms of the mortgages secured to finance such assets and the annual charge for depreciation is equal to the annual principal repayments on these mortgages. This change in accounting policy is consistent with the requirement to establish a reserve for replacement of capital equipment as noted elsewhere herein.

The retroactive adoption of this policy had the effect of reducing the provision for depreciation expense on the Knightsbridge project for the years 1979 and 1980 as set out in Note 7, "Prior Period Adjustments".

Depreciation on vehicles is charged to operations based on the sum-of-the-years' digits method whereby the cost of the assets, net of a 15% salvage value, is fully depreciated over a useful life of five years.

Reserve for Replacement of Capital Equipment

In 1981 the Corporation adopted the replacement reserve policy for operating projects prescribed in the Agreements. Maximum annual contributions to this reserve are determined on a project by project basis by Canada Mortgage and Housing Corporation or the Ontario Ministry of Housing. Reserve contributions relating to the Knightsbridge project for the years 1979 and 1980 are reflected in these financial statements as a prior period adjustment (refer to Note 7).

Development Costs

Costs incurred on potential housing projects are categorized as development costs until project approval is obtained from the Ontario Ministry of Housing and the Board of Directors for the Corporation. At that time, costs are transferred to income-producing property under construction. In the event that construction of a project does not proceed, the applicable development costs are written off against contributed capital.

Capitalization of Carrying Costs

The Corporation capitalizes direct carrying costs such as interest on construction loans, realty taxes and other related costs to property held for and under development and income-producing property under construction. The portion of administrative expenses which is considered applicable to properties under development or under construction is also capitalized.

The Ontario Ministry of Housing has established certain guidelines for capitalizing interest earned or expended on capital projects after the interest adjustment date. Under these guidelines, the Corporation is required to capitalize interest expense on short-term loans secured to finance capital projects which are not completely funded due to timing differences between disbursements and mortgage advances. Similarly, interest earned on the short-term investment of surplus funds of capital projects is also capitalized.

Short-Term Investment/Loan - Region of Peel

Surplus funds of the Corporation are invested by The Regional Municipality of Peel (the "Region of Peel"). Interest received on such investments is based on the average monthly rates of return earned by the Region of Peel.

Similarly, the Corporation obtains funds from the Region of Peel to finance any temporary deficit in funds. Interest expense on such loans is based on the average monthly cost of borrowing experienced by the Region of Peel.

Recovery of Administrative Expenses

Administrative expenses are allocated to capital projects based on a maximum of 2% of the estimated capital costs of the project. The Corporation recovers administrative expenses from operating projects up to a maximum of 6% of gross expenses for each project.

Rental Deposits

Rental deposits held in trust for residents of the Corporation's housing projects are reported on the Balance Sheet under the heading "Rental deposits" and are transferred to operations as leases are terminated. Section 85(2) of the Landlord and Tenant Act requires the Corporation to pay interest on these deposits at the rate of 6% per annum. Interest expense on rental deposits is included in the Statement of Revenue and Expenses - Housing and Administrative Operations under the heading "Investment income (net)".

NOTES TO FINANCIAL STATEMENTS
December 31, 1981

1. Income-Producing Property

A breakdown of income-producing property for the years 1981 and 1980 is set forth below:

	As at December 31,	
	1981	1980 (Restated)
Rental Property		
Land	$ 2,692,646	$ 412,827
Buildings	8,685,252	1,698,750
Equipment	156,114	43,587
	11,534,012	2,155,164
Less accumulated depreciation	20,352	4,498
	11,513,660	2,150,666
Vehicles	7,545	-
Less accumulated depreciation	1,247	-
	6,298	-
	$11,519,958	$2,150,666

2. Income-Producing Property Under Construction

A breakdown of income-producing property under construction for the years 1981 and 1980 is set forth below:

	As at December 31,	
	1981	1980
Land	$ 3,462,597	$2,673,204
Buildings	9,317,048	3,369,752
	12,779,645	6,042,956
Less Federal government grants	562,698	348,219
	$12,216,947	$5,694,737

During 1981 costs amounting to $9,370,309 (1980 - nil) were transferred from income-producing property under construction to income-producing property to reflect the commencement of operations on two housing projects.

3. Development Costs

Accumulated costs incurred on potential housing and land development projects are set forth below:

	As at December 31,	
	1981	1980
Park Estates	$ 280,274	$ 201,039
Riverview Terrace	152,445	-
Mason Landing	99,813	-
Rathburn Place	91,764	-
Peel Manor Campus	39,257	26,627
Hillside Park	4,707	-
Court House Lands	682	-
Other	-	13,462
	$ 668,942	$ 241,128

4. Mortgages Payable on Income-Producing Property

Mortgages payable represent actual mortgage advances received at December 31, 1981 and 1980 as follows:

	As at December 31,	
	1981	1980
Knightsbridge		
Mortgagee: Canada Mortgage and Housing Corporation		
9½% due September 1, 2028	$ 2,152,872	$2,156,801
Arcadia Glen		
Mortgagee: Morguard Trust Company		
11% renewable January 1, 1986	3,062,186	-
Springmill Terrace		
Mortgagee: Morguard Trust Company		
12 7/8% renewable August 1, 1986	6,033,024	-
	11,248,082	2,156,801
Less current portion of mortgages payable	24,925	3,929
	$11,223,157	$2,152,872

The mortgages are secured by a first charge on specific assets of the Corporation. The following table sets forth estimated principal repayments in respect of mortgages secured on income-producing property for the years subsequent to 1982. These repayments are based on anticipated mortgage requirements after receipt of estimated final mortgage draws.

	Knightsbridge	Arcadia Glen	Springmill Terrace	Total
1983	$ 4,597	$ 10,283	$ 12,729	$ 27,609
1984	4,972	11,445	14,421	30,838
1985	5,378	12,739	16,337	34,454
1986	5,816	14,178	18,508	38,502
Subsequent to 1986	2,127,858	3,004,219	6,168,106	11,300,183
	$ 2,148,621	$3,052,864	$6,230,101	$11,431,586

Interest expense on the Knightsbridge mortgage is reported net of interest reduction grants from Canada Mortgage and Housing Corporation. Compliance with specific terms of the mortgage agreement and the Tripartite Agreement provide for a reduction in the effective interest rate paid by the Corporation from 9½% to 8% over the term of the mortgage.

The mortgages obtained from Morguard Trust Company to finance the Arcadia Glen and Springmill Terrace projects are eligible for Federal government grants which reduce the effective interest rate paid by the Corporation on these mortgages to a maximum of 2%. In 1981, the Corporation's requirements in respect of such grants amounted to $427,856 (1980 - nil). As set out under the Agreements, the Corporation must repay that portion of Federal grants received during the year which exceeds the actual assistance required. This repayment is made to the Province of Ontario for subsequent disbursement to the Federal government. At December 31, 1981, the Corporation's net liability to the Province in respect of such grants amounted to $47,533.

5. Construction Loans Payable

Construction loans payable consist of advances in the amount of $7,457,352 which were received by the Corporation to finance projects under construction. When construction of the projects is complete, these advances will become secured mortgages.

The Corporation has entered into commitments for mortgage financing of projects under construction in the amount of $19,762,333 at December 31, 1981. These funds will be used to finance construction of approved projects under the following mortgage terms:

	Mortgage Term	Amount	Interest Rate
South Common Court Seniors' Project	5 years	$ 4,929,888	13.975%
Middleton Way Project	5 years	8,116,286	18.875%
Riley Court Project	5 years	6,716,159	18.875%
		$19,762,333	

6. Reserve for Replacement of Capital Equipment

As at December 31, 1981 and 1980 reserves for the replacement of capital equipment have been established for the following operating projects:

	As at December 31,	
	1981	1980 (Restated)
Knightsbridge ($5,629 per annum to a maximum of $56,290)	$13,134	$7,505
Arcadia Glen ($11,200 per annum to a maximum of $112,000)	11,200	-
Springmill Terrace ($22,850 per annum to a maximum of $228,500)	11,425	-
	$35,759	$7,505

Contributions to the reserve for the Knightsbridge project amounted to $1,876 in 1979 and $5,629 in each of the years 1980 and 1981. The contribution for 1979 was calculated on the basis of four months of operations. Contributions on behalf of the Arcadia Glen and Springmill Terrace projects commenced in 1981 and represent a full year and six months, respectively, of operation.

7. Prior Period Adjustments

Reinvested earnings of prior years have been restated to reflect the following adjustments relating to the years 1980 and 1979:

	1980	1979
Knightsbridge project		
Refund of property taxes	$ 39,810	$ 9,777
Reduction in depreciation expense	4,914	2,527
Reduction/(increase) in expenses for the the reserve for replacement of capital equipment	(181)	464
Administrative expenses		
Increase in professional and consulting fees	-	(2,500)
	$ 44,543	$ 10,268

Property taxes paid to Canada Mortgage and Housing Corporation in 1980 and 1979 for subsequent disbursement to the City of Brampton were refunded to the Corporation, together with interest, in 1981. This refund reflects an exemption from the payment of property taxes on the Knightsbridge project for those years. Commencing January 1981, the Knightsbridge project has been added to the tax rolls and any property taxes owing by the Corporation after that date have been paid directly to the City of Brampton.

8. Contractual Obligations

As at December 31, 1981, the Corporation has entered into agreements to purchase properties and construct buildings in the amounts of $2,217,298 and $10,574,605, respectively. The Corporation has also entered into commitments for mortgage financing of these projects under the following mortgage terms:

	Mortgage Term	Amount	Interest Rate
Rathburn Place	5 years	$ 6,204,752	17.75%
Mason Landing	5 years	7,426,040	17.75%
		$13,630,792	

9. Subsequent Events

Subsequent to 1981, the Corporation entered into a construction contract and commitment for mortgage financing in the amount of $4,221,987 with respect to the Riverview Terrace project, for which land was purchased in 1981.

10. Comparative Figures

The comparative figures for 1980 have been reclassified where necessary to conform with the current year's presentation.

Touche Ross & Co.
Chartered Accountants

AUDITORS' COMMENTS

Supporting Statements

To the President and Members,
Peel Non-Profit Housing Corporation

The supporting statements presented in the following pages, which have been taken primarily from accounting and other records of Peel Non-Profit Housing Corporation have been subjected to the tests and other auditing procedures applied in our examination of the financial statements for the year ended Decmeber 31, 1981. In our opinion, these supporting statements are fairly presented in all material respects in relation to the financial statements of the corporation although they are not necessary for the fair presentation of the overall financial position and results of operations.

Touche Ross & Co.

Mississauga, Ontario,
June 9, 1982

Chartered Accountants

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STATEMENT OF REVENUE AND EXPENSES - KNIGHTSBRIDGE HOUSING PROJECT

	Year ended December 31,		
	1981 Budget	1981 Actual	1980 Actual (Restated)
OPERATING REVENUE			
Rental income	$206,035	$208,513	$192,400
Government grants			
Provincial rent reduction and supplement grants	120,055	120,071	125,020
Sundry income	4,510	6,966	5,325
	330,600	335,550	322,745
OPERATING EXPENSES			
Interest on mortgage	169,600	169,571	170,431
Municipal taxes	28,960	32,498	-
Insurance	2,665	2,610	3,211
Depreciation	15,510	3,929	3,634
Replacement reserve contributions	-	5,629	5,629
Repairs and maintenance			
Building and property	18,935	20,116	8,388
Elevators	1,920	1,878	775
Utilities			
Water and sewer	5,355	4,916	5,057
Hydro (including heat)	31,850	28,755	28,183
Administrative overhead	30,370	18,055	31,965
Other			
Wages and benefits	-	-	12,660
Telephone	3,325	2,324	1,982
Cable television	4,160	4,097	3,904
Janitorial services	14,445	13,890	1,200
Miscellaneous	3,505	1,078	1,183
	330,600	309,346	278,202
NET OPERATING EARNINGS FOR THE YEAR	$ -	$ 26,204	$ 44,543

STATEMENT OF REVENUE AND EXPENSES - ARCADIA GLEN HOUSING PROJECT

	Year ended December 31,*	
	1981 Budget	1981 Actual
OPERATING REVENUE		
Rental income	$257,959	$244,641
Government grants		
Provincial rent reduction and supplement grants	58,776	8,451
Federal grant for interest writedown	198,434	224,898
Sundry income	24,780	20,785
	539,949	498,775
OPERATING EXPENSES		
Interest on mortgage	336,679	329,788
Municipal taxes	45,742	35,658
Insurance	4,586	3,739
Depreciation	18,428	7,642
Replacement reserve contributions	-	11,200
Repairs and maintenance		
Building and property	17,335	16,550
Elevators	1,500	1,410
Utilities		
Water and sewer	10,320	8,017
Hydro	39,658	26,246
Heat	11,664	6,145
Administrative overhead	28,214	28,214
Other		
Telephone	420	286
Cable television	4,212	4,160
Janitorial services	15,431	15,106
Miscellaneous	5,760	4,614
	539,949	498,775
NET OPERATING EARNINGS FOR THE YEAR	$ -	$ -

* Comparative figures for 1980 are not available as the Arcadia Glen project commenced operations in January 1981.

STATEMENT OF REVENUE AND EXPENSES - SPRINGMILL TERRACE HOUSING PROJECT

	Year ended December 31,*	
	1981 Budget	1981 Actual
OPERATING REVENUE		
Rental income	$320,215	$221,173
Government grants		
Federal grant for interest writedown	303,109	202,958
Sundry income	-	2,885
	623,324	427,016
OPERATING EXPENSES		
Interest on mortgage	463,718	333,501
Municipal taxes	66,140	33,731
Insurance	3,435	1,458
Depreciation	22,831	4,283
Replacement reserve contributions	-	11,425
Repairs and maintenance		
Building and property	20,384	8,472
Administrative overhead	31,933	24,502
Other		
Telephone	270	181
Cable television	-	1,922
Janitorial services	9,028	7,381
Miscellaneous	5,585	160
	623,324	427,016
NET OPERATING EARNINGS FOR THE YEAR	$ -	$ -

* Comparative figures for 1980 are not available as the Springmill Terrace project commenced operations in July1981.

STATEMENT OF REVENUE AND EXPENSES - ADMINISTRATIVE OPERATIONS

	Year ended December 31,		
	1981 Budget	1981 Actual	1980 Actual
ADMINISTRATIVE REVENUE			
Recoveries from capital projects	$488,240	$590,058	$220,425
Investment income (net)	-	42,115	-
Sundry income	6,532	1,611	8,112
	494,772	633,784	228,537
ADMINISTRATIVE EXPENSES			
Salaries, wages and general administration	352,970	334,850	200,247
Professional and consulting fees	46,280	31,903	10,511
Central services allocated			
Legal, Clerks and Social Services	24,000	30,980	10,114
Finance	29,950	29,683	16,260
Systems development	90,000	54,718	19,003
Planning	11,975	13,469	-
Purchasing	500	500	-
Advertising	8,400	9,014	2,075
Printing	-	-	5,000
Bank service charges	1,225	1,583	-
Vehicle rental	9,000	1,729	-
Depreciation - vehicle	-	1,247	-
Miscellaneous	1,500	2,414	2,744
	575,800	512,090	265,954
Recoveries from operating projects	90,518	70,771	31,965
	485,282	441,319	233,989
NET ADMINISTRATIVE EARNINGS (LOSS) FOR THE YEAR	$ 9,490	$192,465	$ (5,452)